

INTEGRATED SAFEGUARDS DATA SHEET

IDENTIFICATION / CONCEPT STAGE

Report No.: ISDSC16870

Date ISDS Prepared/Updated: 04-Aug-2016

I. BASIC INFORMATION

A. Basic Project Data

Country:	Indonesia	Project ID:	P159047
Project Name:	Project Development Facility		
Team Leader(s):	Tuo Shi		
Estimated Date of Approval:	31-Aug-2016		
Managing Unit:	GSURR	Lending Instrument:	IPF
Financing (in USD Million)			
Total Project Cost:	3	Total Bank Financing:	0
Financing Gap:	0		
Financing Source			Amount
Indonesia Sustainable Urbanization			3
Environment Category:	F - Financial Intermediary Assessment		

B. Project Development Objective(s)

12. The Project Development Objective (PDO) is to increase access and support LGs in project identification, planning and preparation through the structuring and operationalization of a Project Development Facility (PDF).

13. Structured under PT.SMI with the Regional Infrastructure Development Fund (RIDF), the PDF would primarily support the development of a project pipeline as well as to channel technical assistance to LGs in areas of project identification, design and construction supervision, and related advisory services.

C. Project Description

16. A Project Development Facility (PDF), whose initial establishment is supported by an RETF, will be established as part of the RIDF project (component 1 of RIDF, which is now being prepared), with the objective of building a subproject pipeline for RIDF by supporting subnational governments in subproject identification, planning and preparation. PDF support will help ensure that subprojects are consistent with the technical, financial, economic, social and environmental appraisal standards of RIDF.

17. The activities eligible for PDF support are:

- (i) project identification and preliminary structuring;
- (ii) project preparation studies, including feasibility studies, safeguards studies and detailed engineering designs;
- (iii) design and supervision assistance;
- (iv) advisory services related to financial management, environmental and social assessments, etc.; and
- (v) preparation of procurement and contract documents.

These activities are consistent with good practice cases of similar facilities in India, the Philippines and South Africa. These facilities are typically revolving funds financed by the respective government and international agencies. They provide assistance in the areas of undertaking pre-feasibility studies, environmental and social impact assessments, project documentation and preparation of detailed project reports.

18. To avoid potential conflicts of interest, the PDF will be housed under a separate business unit within PT. SMI, specifically under the Project Development Division. This division of PT. SMI already undertakes activities similar to those proposed for the PDF, which would become an additional activity under the same directorial oversight. The PDF would naturally adopt the same eligibility and compliance standards of RIDF. Options for ensuring the financial sustainability of the PDF include adopting a fee-for-service structure, and including a small spread on all RIDF loans with proceeds earmarked for the recapitalization of the PDF.

19. Before receiving assistance from PDF, LGs initially submit loan application to RIDF that must fulfill following pre-conditions: i) Infrastructure to be financed is public infrastructure that is most needed (priority) and is contained in the RPJMD; ii) Approval of the relevant legislature (DPRD) at the subnational level; iii) subnational government is not in arrears, whether with SLA or other loan sources; iv) DSCR of at least 2.5 times (as stipulated in PP NO.30/2011); v) Loan amount should not exceed 75% of the accumulated general revenue amount in the APBD of the previous fiscal year; vi) current fiscal year APBD deficit, if any, is within the limits prescribed by applicable regulations; vii) Audit results from BPK (supreme audit institution) from each of the last three years should be at least WDP (qualified opinion) or better; viii) Recommendation from the Ministry of Home Affairs. In addition, RIDF unit will also identify readiness level of each proposed subprojects. There are three types of subprojects that could apply for RIDF funding:

- i. Type 1 ➤(subprojects in the early stages of preparation (with sites that have not been selected and design options that are still open);
- ii. Type 2 ➤(subprojects that have not been fully prepared. Some of the subproject documents might have been prepared, but in need of an update or revalidation;
- iii. Type 3 ➤(subprojects that have been fully prepared.

RIDF will inform LGs that PDF can assist with subproject preparation if their subprojects fall under type 1 and 2. PDF will, then, provide interested LGs with detailed information on requirements for PDF grant application.

20. The PDF is a facility which facilitates robust project development, by supporting the LGs in taking projects through feasibility study, detailed engineering design, safeguards studies such as AMDAL, EMP, LARAP, IPP, etc. and other project preparation documents. The objectives of PDF are to meet the capacity gap of LGs in planning and designing subprojects as well as to generate project pipeline for RIDF lending facility for LGs and ensure quality delivery of projects. The PDF is

a business development operation, independent from the RIDF lending facility but both are supporting to each other, both under the overall World Bank-supported operations to support infrastructure development in LGs housed at PT SMI. The PDF, once it is mature would receive other source of financing, from international donors, financing institutions and APBN. The PDF is designed to be a development facility to support LGs in developing subprojects which are primarily realistic, feasible and within the ambit of RIDF lending facility. The PDF would also result in creating a pipeline of bank-able infrastructure subprojects sponsored by LGs, for the RIDF to evaluate lending to.

21. Eligible LGs. All LGs applying for RIDF funding are eligible towards receiving the PDF support. Eligibility towards PDF support will be assessed for the LGs based on the sectors and subprojects that are eligible for RIDF financing. All LGs are eligible towards receiving the PDF support except those, who have defaulted under any of the earlier grant agreements under PDF support. The type and extent of support shall be determined upon the evaluation of the LGs application by RIDF. Further assistance shall be provided to the LG within the designated limits of maximum financial assistance.

22. Eligible activities under PDF funding. The RETF supported PDF would be used to establish the PDF and to assist LGs in the below listed aspects of project development. All other activities beyond the list would have to be undertaken by LG through its own internal resources / other sources of funding. The PDF would ensure that the subprojects prepared with its support are consistent with technical, financial, economic, social and environmental appraisal standards established for RIDF lending operation under the umbrella of RIDF operations. Therefore, principles, procedures, and requirements for environmental safeguards applied for activities supported by PDF will be the same with those of RIDF. Specifically, eligible activities under PDF funding include:

⇒ Project identification and preliminary structuring - LGs often appreciate the solution involving larger infrastructure intervention, however, they are to some extent unable to identify the infrastructure interventions in a project format. The PDF will assist the LG towards subproject identification, prioritization and preliminary structuring.

⇒ Project preparation studies - feasibility studies, environmental and social safeguards studies and detailed engineering designs - The PDF would support LGs by appointment of consultants / advisors to assist them in undertaking technical including detailed engineering designs (DEDs), financial including FS, environmental and social assessment. The appointment of such advisors / consultants shall follow a transparent procurement procedure, recommended by PDF team and be driven by the LG.

⇒ Design-supervision assistance - Certain technically critical subprojects, might require all round support and would require accountability from the consultants in terms of design (for instance, a regional landfill or a treatment plant). In that case, the PDF can engage a consultant to both design and to supervise / vet the outputs for the subprojects.

⇒ Preparation of Procurement and Contract Documents - The PDF would support LGs in preparation of contract / procurement documents, for subprojects being supported by the PDF. Over time, PDF could help develop model / standard procurement and contract documents that can be used across various subproject types / sectors. This value addition of the PDF to the current system, can subsequently lead to standard procurement policies / acts, to be followed by LGs.

⇒ Capacity building for local governments - The PDF would support LGs in the form of workshop, training, or advisory support in the area of technical, financial, project management, and environmental and social aspects required to strengthen their capacity for subproject preparation and

implementation.

23. Eligible sectors / subprojects: All sectors and subprojects eligible for lending under the RIDF lending facility shall be eligible for support under the PDF. The nature of subproject, eligible under RIDF lending facility shall also be eligible for support under PDF: (1) water supply and sanitation (including water supply and sewerage); (2) environmental infrastructure (including solid waste management and drainage, and energy efficiency projects etc.); (3) low-income-housing and slum upgrading (including public or low-income housing projects, public housing units in slum areas, integrated urban upgrading including water, sewerage, drainage, roads, street lighting, etc.); (4) transportation and logistics infrastructure (road, public transportation, terminals, parking facilities, bridges, etc.); and (5) social infrastructure (schools, hospitals, public markets, etc.). Refer to Table 1 for a complete list.

Table 1: Eligible Sectors and Subprojects

Eligible Sectors Eligible Subprojects

1	Water Supply and Sanitation	Water Supply
	➤(ç	Source augmentation
	➤(ç	Water treatment plan, storage reservoirs, pumping machinery and system automation.
	➤(ç	Trunk and distribution network (new and rehabilitation)
	Sewerage	
	➤(ç	Collection network and waste-water treatment facility
	➤(ç	Pumping stations and machinery
	➤(ç	Regional facilities and system automation
2	Environmental Infrastructure	Solid Waste Management
	➤(ç	Construction of a municipal waste-processing facility (sanitary, land-fill, processing plant, incineration unit, etc.).
	➤(ç	Construction of construction and demolition waste processing facility.
	➤(ç	Waste recycling project.
	➤(ç	Purchase of vehicles and bins for solid waste collection.
	⌘(ç(ç	Development of vehicle-tracking and waste disposal monitoring system.
	Drainage	
	➤(ç	Development of storm water drainage network
	➤(ç	Rehabilitation of existing drainage networks
	➤(ç	De-silting and/or strengthening of natural drains
	Energy Efficiency	
	➤(ç	Improvement of electricity installation and equipment in building and public facilities
	➤(ç	Retrofitting building and infrastructure with efficient energy consumption instruments
	➤(ç	Improving system that can control energy consumption
3	Low-Income Housing and Slum Upgrading	➤(ç Public or low income housing projects.
	➤(ç	Integrated urban upgrading including water, sewerage, drainage, roads and street lighting, etc.
4	Transportation and Logistic Infrastructure	➤(ç New carriageway development (at grade, flyovers, bridges)
	➤(ç	Road rehabilitation, upgrading and/or widening
	➤(ç	Junction-improvements projects

- (€ Development of mass transit (non - rail based) infrastructure.
- (€ Development of pedestrian infrastructure (foot-over bridges, footpath, street furniture, street-lighting, etc.).
- (€ Development of pedestrian infrastructure (foot-over bridges, footpath, street furniture, street-lighting, etc.).
- (€ Purchase of public buses
- (€ Development of street-furniture for bus-stops
- (€ Development of bus depot and shelters
- (€ Development of dedicated BRT lane and related infrastructure, tracking and monitoring system for operating BRT etc.
- (€ Development of multi-level car parking structure
- (€ Development of traffic monitoring and management system
- (€ Development of building and/or facilities to house traffic management unit.
- (€ Irrigation development
- 5 Social Infrastructure ➤(€ School construction and rehabilitation
- (€ Hospital and health clinic construction and rehabilitation
- (€ Public market facilities

D. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

31. Given the nature of the RIDF and PDF's activities and its early stage of establishment process, the subprojects' type and scope as well as geographical distribution of the LGs that will apply for and be supported by the PDF are unknown at this stage. LGs and types of subprojects that will receive support from the PDF will only be known once the RIDF and PDF are in operation. As is the case with RIDF, the project anticipates that LGs meeting the eligibility criteria for receiving support from PDF could be located anywhere in the country. Type and scope of eligible subprojects as well as documents to be prepared through the assistance of the PDF will be determined once the RIDF's evaluation of the application package has been completed.

32. As explained earlier, there will be three types of subprojects in terms of readiness when RIDF receives the application of a subproject proposal from LG. Potential environmental and social impacts that might entail from the downstream investment identified by the outputs of the PDF support will be assessed during FS or right after the FS is completed. The type of environmental and social safeguards instruments to manage such impacts will be determined at and will be supported by PDF. Draft of relevant instruments will be prepared in accordance with the requirements specified in the ESMF. Update on the draft safeguards instruments might be carried out during or after the preparation of the Detailed Engineering Designs (DEDs).

33. Given the eligible sectors and subprojects that would be eligible for RIDF financing, hence also would be eligible for receiving PDF supports, potential environmental and social impacts of the downstream investment of which preparation is supported by the PDF would range from medium to high impacts, could be diverse and irreversible. From environmental assessment point of view, the PDF is an FI category that would support preparation of a subproject with category A or B.

34. To better illustrate safeguards management approach to the eligible activities under PDF funding, the below matrix is developed in conjunction with the Interim Guidelines on the Application of Safeguard Policies to Technical Assistance (TA) Activities in Bank-Financed Projects and Trust Funds Administered by the Bank.

Table 2: Indicative Safeguards Instruments Required Related to PDF activities

Eligible Activities Under PDF Funding	Potential Environmental and Social Implications	Indicative EA Category of possible projects	Indicative list of instruments to be prepared in each activity supported by PDF
Project identification and preliminary structuring	These activities usually do not have potential adverse environmental and social implications or risks	C	ESMF will be used to help screen the subprojects.
Project preparation studies such as feasibility studies and detailed engineering designs	These types of activities may have significant down-stream impacts. Each of the proposed infrastructure investments must be screened (like in any Bank financed investment lending operations) for its potential social and environmental impacts to identify/define:	(a) safeguards policies triggered; (b) EA category; (c) safeguards instruments to be prepared during preparation of engineering designs; and (d) consultation and disclosure requirements.	A or B Specific environmental and social safeguards instruments (such as ESIA, EMP, LARAP, IPP) will be prepared in consistent with the requirements specified in the ESMF. The ToR for project preparation studies and safeguards instruments will be reviewed by the safeguards team of PDF and by the Bank.
Design-supervision assistance	These activities usually do not have potential adverse environmental and social implications or risks	B or C	TOR for the consultant should incorporate the scope of the design/supervision for the implementation of environmental and social safeguards instruments
Preparation of Procurement and Contract Documents	These activities usually do not have potential adverse environmental and social implications or risks	B or C	Bidding document and contract include activities required by the environmental and social safeguards instruments to be implemented during construction
Capacity building for local governments	These activities usually do not have potential adverse environmental and social implications or risks. Depending on the mandate of the institutional recipient of capacity building, there may be reputational risks if the Bank is perceived as assisting indirectly in the implementation the PDF that is not attuned with Bank safeguard principles.	C	ESMF provides capacity building program which will be implemented during the course of PDF operation.

E. Borrower's Institutional Capacity for Safeguard Policies

36. 35. The Directorate General of State Assets (DJKN) of the Ministry of Finance (MOF) would be the Executing Agency (EA) of the RIDF including PDF, on behalf of the Borrower (MOF). The PDF will be housed in the PT. SMI as a new operation arm (unit or division), and will be developed exclusively to serve the LGs and will operate under a separate management and independent from the ongoing PT SMI's operations for PPPs and SOEs. SMI is an infrastructure financing company which was established on 26 February 2009 as a state owned enterprise (SOE) with 100 percent shares owned by the Government of Indonesia through the MoF. PT. SMI plays an active role in facilitating infrastructure financing as well as preparing projects and serving advisory for infrastructure projects in Indonesia. Based on its original mandate, PT. SMI aims to finance commercially-viable projects including investments in toll road & bridges, transportation, oil and gas, telecommunication, waste management, electricity, irrigation and waterway, and water supply sectors. By mandate, PT. SMI provides financing for public-private partnership (PPPs) and private sector projects, however as of to date this mandate has not been fully implemented due to rigidities in the pipeline for such projects. Since 2015, PT SMI has been given an expanded mandate to provide financing and technical assistance to local governments (LGs) to accelerate the country's infrastructure development. PT. SMI is one of the key shareholders (with shares of 30 percent) in the PT Indonesia Infrastructure Financing (IIF), an independent business entity, which has been in full operations since 2011 and since then continued to have a growing portfolio for private sector

infrastructure projects. PT. IIF has an Operations Manual that includes an ESSF and ESMS which were developed in reference to IFC, World Bank and ADB Environmental and Social Safeguards Standards and Policies.

36. Currently, PT. SMI has an Environmental and Social Management System (ESMS) which was developed based on the Indonesia country system, i.e. Indonesian regulations. However, the ESMS also refers to the World Bank and IFC Standards for health and safety. The Bank preliminary review noted that the ESMS is heavily focused on environmental aspects. The social aspects including Indigenous Peoples and Involuntary Resettlement needs to be strengthened. The ESMS, enacted as a Director Regulation issued in January 2015, has been adopted to screen proposed PPP projects for financing, determine environmental and social risk level, and carry out due diligence assessment, all of which, will determine the gaps of meeting the requirements specified in the ESMS. Should there is a gap identified based on this due diligence assessment, the project proponent seeking for financing is required to prepare a corrective action plan (CAP) to meet the requirements specified in the ESMS.

37. The RIDF and PDF will be in complement and supportive to each other. Previously, within the PT. SMI organizational structure, environmental and social management is mainly managed by the Environmental and Social Unit under the Risk Management Division. After 24 March 2016, the unit is now elevated to a Division level called ESSBCM (Environmental and Social Safeguards Business Continuity Management) under Risk Management Directorate. The division has hired a social expert since June 2015 and a senior environmental expert since April 2016. There is also a pool of on-call consultants including environmental and social experts under the Project Advisory Division. PT SMI is planning to hire a new senior social safeguards specialist this year. This new institutional arrangements and staffing for environmental and social safeguards management is part of the recommendations provided by a Consultant Team, hired by the Bank to assist the MoF, in a Business Plan for RIDF and PDF, of which institutional assessment and strengthening are part. Some other key recommendations relevant to safeguards are as follows:

- (¢ PT SMI needs to improve its current ESMS into ESMF that will be adopted for both RIDF and PDF based on its current ESMS, World Bank triggered safeguards policies, and recent applicable Indonesian Laws and Regulations, as well as lessons learned from the PT IIF;
- (¢ PT SMI needs to develop an Operations Manual (OM) as an operational tool for the PT. SMI staff to implement the ESMF in its business operations;
- (¢ PT. SMI has to strengthen its management capacity for environmental and social safeguards, including staffing and capacity building;
- (¢ PT SMI will have to assist the capacity of LGs in environmental and social management, through outreach, training and technical assistance.

38. Recently, PT SMI has developed ten principles of Environmental and Social Safeguards (ESS) similar to IFC Performance Standards for projects to be financed by multilateral financial resources. PT SMI is developing a single ESMF that will be used for both RIDF and PDF. The ESMF is developed in reference to this PT SMI's ESS along with relevant Indonesian laws and regulations and the triggered World Bank safeguards policies. The ESMF also takes into account the Bank's Interim Guidelines on the Application of Bank Safeguards Policies for TA and TFs, as well as Guidelines on Advisory Services, as relevant. The ESMF will be elaborated in the Operations Manual as a practical tool for PT SMI and its LG clients.

The following main aspects are to be covered by the ESMF (a single ESMF for RIDF and PDF):

- a. Objectives, project components to be financed by the RIDF and PDF, organizational structure of SMI that shows the position of RIDF and PDF and operational linkage of the two, types of eligible sectors, type of subprojects in terms of level of preparedness, list of ineligible activities;
- b. Safeguards policies triggered; WBG Environmental Health and Safety Guidelines;
- c. GOI Laws and regulations and gap assessment between the GOI's laws and regulations and the triggered OPs; actions to address such gaps that are mainstreamed in the ESMF
- d. The Bank's Interim Guidelines on the Application of Bank Safeguards Policies for TA and TFs, as well as Guidelines on Advisory Services, as relevant
- e. Generic potential environmental and social impacts for eligible sectors
- f. Process, procedures and requirements:
 - a. Screening of potential environment and social impacts;
 - b. Subproject category
 - c. Determination of specific safeguard plans/instruments to be prepared for subproject (ESIA/AMDAL, EMP/UKL-UPL, ECOPs, SOP),
 - d. Screening and assessment and how to address ancillary facilities and potentially linked activities;
 - e. Screening and assessment of cumulative impacts following established methodology such as the IFC Good Practice Hand Book on Cumulative Impact Assessment;
 - f. Preparation of safeguards instruments
 - g. Identifying whether the proposed subproject already has the required safeguards instruments; identify the necessary safeguards instruments needed versus those that have been available; review the gaps between the available instruments with the requirements specified in the ESMF; defining the scope and activities in the Corrective Action Plan; In the case a proposed subproject does not have any safeguards instruments, require the LGs to prepare the instruments in accordance with requirements specified in the ESMF;
 - h. Environmental Management Frameworks including guidance to prepare ESIA/AMDAL and UKL-UPL, Generic ECOPs, Pest Management, PCR Management Plan and Pest Management
 - i. RPF (including PF) and IPPF;
 - j. Stakeholders Analysis, Consultations;
 - k. Institutional arrangements for environmental and social safeguards management for screening, review/assess, approval, preparation and implementation of safeguards instruments, monitoring and reporting
 - l. Institutional arrangements for environmental and social safeguards management for screening, identify and manage any potential gaps or inconsistency between TA policy products (this PDF) and triggered Bank safeguard policies, identify safeguards instruments appropriate for the downstream investment, and guidance to prepare such safeguards instruments;
 - m. Grievance Redress Mechanisms;
 - n. Disclosures;
 - o. Capacity Building Assessment Plan, developed based on a safeguards institutional assessment for PT SMI and capacity of LGs. The institutional assessment of PT SMI and LGs will lead to the identification on the scope of capacity building program, resources and budget estimates for the RIDF and PDF operations;
 - p. Supervision and Monitoring of the implementation of safeguards instruments implemented by the local governments

39. PT. SMI will use the ESMF for all of its clients both for the RIDF and PDF operations regardless of financing/capital source (RIDF, government budget, and/or other donors, etc.) for a

particular subproject receiving support from RIDF and/or PDF. Currently the RIDF is preparing an ESMF that will be used not only for LG seeking infrastructure financing from RIDF, but also will be applied to LGs seeking technical assistance from PDF for project identification, structuring and preparation. The ESSBCM (Environmental and Social Safeguards Business Continuity Management) under Risk Management Directorate will adopt a single ESMF for both PDF and RIDF operations.

40. The Draft ESMF has been consulted with relevant stakeholders during June 21-22, 2016, and disclosed in the PT SMI's website on June 15, 2016 and in World Bank InfoShop on July 18, 2016. The outputs of the support of the PDF to LGs, e.g. Feasibility Study and safeguards instruments for project investments seeking financing from RIDF, will be assessed by RIDF during subproject appraisal in reference to the ESMF and reviewed by the Bank until the EESBCM of PT SMI has sufficient capacity.

F. Environmental and Social Safeguards Specialists on the Team

Indira Dharmapatni (GSUID)

Krisnan Pitradjaja Isomartana (GEN2A)

II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/ BP 4.01	Yes	<p>The Project Development Objective (PDO) is to increase access and support LGs in project identification, planning and preparation through the structuring and operationalization of a Project Development Facility (PDF) of which downstream activities of the outputs from the PDF would be financed by the RIDF lending.</p> <p>No physical infrastructure construction will be conducted in this RETF supported PDF. As explained earlier in the paragraph on eligible activities under PDF funding, the PDF will provide LGs technical assistance in project identification and preliminary structuring, preparing feasibility studies, environmental and social safeguards studies/instruments and DEDs; design-supervision assistance; preparing procurement and contract documents; and providing capacity building for LGs. RIDF lending facility would finance eligible subprojects proposed by LGs, which are likely medium and large-scale infrastructure. Therefore the downstream impact of the preparation and feasibility studies financed under the PDF pose potential risks.</p> <p>At this concept stage, the PDF is proposed to be Category FI because it involves investment of</p>

		<p>Bank funds through a financial intermediary, in the future projects that may result in adverse environmental and social impacts. As a Category FI project, future projects to be financed could fall as Category A or B; it is because of the potential environmental and social downstream impacts from preparation activities of the eligible sectors (water, transport, urban, social infrastructure) might be significant, diverse and irreversible. The future subprojects may also have social downstream impacts other than land acquisition and resettlement and possibility of cumulative impacts and other impacts related to linked activities funded by government or other donors and potential impacts of ancillary facilities.</p> <p>However, the exact nature, scale and location of impacts can only be identified at the time that RIDF evaluate the application of proposed subproject documents. Thus an ESMF will be prepared as safeguards instruments for the preparation and feasibility studies as well as for other preparation studied to be supported by PDF.</p> <p>The ToR for feasibility studies will be reviewed by PT SMI Safeguards team supported by the Bank's safeguards specialist to ensure that the studies will cover environmental and social aspects above. Necessary safeguards instruments preparation funded by PDF during the feasibility studies or right after the FS completed will also be reviewed by the Bank together with PT SMI until they have a sufficient capacity.</p> <p>The ESMF shall also refer to the Bank's Interim Guidelines on the Application of Bank Safeguard Policies for TA and TFs for activities to be supported by the PDF. The Draft ESMF is being prepared and discussed with the Bank.</p>
Natural Habitats OP/BP 4.04	Yes	Some of the feasibility studies of infrastructure projects may interact with natural habitats especially for municipalities or districts located in eastern part of Indonesia (e.g. Papua,

		<p>Kalimantan, Sulawesi, and NTB). Potential impacts on Natural Habitat will become part of the feasibility studies that will be screened and addressed through the ESMF, which will spell out that the project shall not finance any development on protected areas nor the projects with potential significant conversion or degradation to critical natural habitats or natural habitats.</p> <p>For subprojects that is located adjacent to a protected areas or that may change the purpose and/or designation of a protected area or natural habitats, the feasibility studies shall be required to prepare a full environmental assessment (an ESIA or to conduct AMDAL study acceptable to the Bank) . This includes: forest protection area; river edges; marine/freshwater conservation areas; nature tourism park; peat areas; areas, surrounding lakes and reservoirs, coastal mangrove areas, water catchment areas; national parks; coastal edges, forest parks; cultural reserves; areas surrounding springs; scientific research areas; nature conservation areas; and areas susceptible to natural hazards (ESMF Annex 2).</p> <p>All these mechanisms shall be ensured to be fulfilled by LGs during PDF activities by using the ESMF.</p>
Forests OP/BP 4.36	Yes	<p>Subproject activities may take place in close proximity to or within forest areas. However, during preparation activities, the ESMF shall screen out any subprojects with potential significant conversion or degradation to critical natural forest or natural forest (protection forest, conservation forest). For a subproject that is located in production forest area, the PDF will support LGs in preparing an environmental assessment and shall fulfill forestry regulation for land use permit as per Bank's related previous investment project (e.g. Upper Cisokan Pumped Storage etc.).</p>
Pest Management OP 4.09	Yes	<p>The policy is triggered as there are potential irrigation subprojects proposed by LGs. From 38 applicants (bottom up approach) there is one proposal related to irrigation improvement from</p>

		West Sumatra. The project shall not finance the purchase of pesticides but the construction of new irrigation systems for a large coverage area (such as more than 3000 Ha) would potentially increase pesticide use significantly. During FS, a specific mitigation measure shall be required such as the preparation of ESIA or EMP for this kind of subproject. For irrigation projects with medium scale such as the above mentioned, the implementation of IPM (Integrated Pest Management) will become part of the Environmental Management Plan.
Physical Cultural Resources OP/ BP 4.11	Yes	Some of the subprojects included under PDF may affect cultural property and trigger OP 4.11. The environmental screening procedures specified in the ESMF during PDF operation to support LGs will ensure that this consideration to become part of the FS studies and a project will not adversely affect sites having archeological, paleontological, historical, religious or unique natural values.
Indigenous Peoples OP/BP 4.10	Yes	The project anticipates that preparation of any LGs and subprojects could be eligible for getting support from the PDF. It is expected that LGs and subprojects seeking financing from the PDF come from any areas in the country where IPs communities which include Masyarakat Hukum Adat (MHA) communities might presence and be affected by the downstream investment of the studies financed by the PDF. The presence and impacts on IPs or MHA communities can only be defined during the Feasibility Studies and/or DEDs is carried out. The ESMF will include an IPPF developed in accordance with OP/BP 4.10 and government regulations that are relevant with IPs, which will be part of the ESMF. The IPPF is a stand-alone document as well.
Involuntary Resettlement OP/BP 4.12	Yes	The project anticipates that the clients of PT. SMI could be any LGs and subprojects eligible for financing with a set of criteria for getting support from RIDF, hence also from PDF. It is confirmed that eligible sectors that PT. SMI will be financing with the RIDF, hence also support from PDF funds, include: (i) water supply and sanitation; (ii) environmental infrastructure; (iii) low-income housing and slum upgrading; (iv)

		transportation and logistics infrastructure; and (v) social infrastructure. Locations, characteristics and scale of subprojects and potential impacts due to involuntary resettlement as per OP/BP 4.12 policy are yet to be defined during PDF implementation when the Feasibility Studies and/or DEDs are being prepared. Looking at the nature of eligible sectors and subprojects it is very likely that the proposed subprojects of which preparation is supported by the PDF, will involve land acquisition and/or involuntary resettlement. The ESMF will include an RPF developed in accordance with OP4.12 and meeting the requirements of the Indonesian Law 2/2012 and the implementing Regulations on Land Acquisition for Public Purposes. The RPF will be a stand-alone document as well.
Safety of Dams OP/BP 4.37	Yes	<p>The PDF activities may involve the preparation/ feasibility studies of the construction of a dam as part of water supply system and water resource management infrastructure in the region. The ESMF will be used during this PDF support activities.</p> <p>For small dams (<15 m in height), policy requirement is for the dam to be designed by a qualified engineer. For large dams (15 m and higher), the ESMF shall requires reviews by an independent panel of experts, preparation and implementation of detail plans (construction, instrumentation, OM and emergency preparedness), prequalification of bidders and periodic safety inspections of the dam after completion.</p>
Projects on International Waterways OP/BP 7.50	No	The projects will not be located on international waterways
Projects in Disputed Areas OP/BP 7.60	No	None of the projects will be located in disputed area.

III. SAFEGUARD PREPARATION PLAN

A. Appraisal stage ISDS required?: Yes

i. Explanation

Because the PDF could develop/produce Category A or B projects.

ii. Tentative target date for preparing the Appraisal Stage ISDS

07-Sep-2016

B. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage ISDS.

A single ESMF is being prepared for the PDF and RIDF. This ESMF will be submitted to RSS for review and clearance by the RIDF task team. RIDF is currently at the stage of pre-appraisal mission, with the tentative date for appraisal decision meeting on August 25, 2016.

The draft ESMF has been disclosed in country on June 15, 2016, and in World Bank Infoshop on July 18, 2016. Public consultations on the ESMF were held on June 21 and 22.

The tentative date for circulating the appraisal package is September 15, 2016.

IV. APPROVALS

Team Leader(s):	Name: Tuo Shi	
<i>Approved By:</i>		
Safeguards Advisor:	Name: Josefo Tuyor (SA)	Date: 10-Aug-2016
Practice Manager/ Manager:	Name: Abhas Kumar Jha (PMGR)	Date: 10-Aug-2016

¹ Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.